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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

COMES NOW Plaintiff JEFFREY W. ARRICAL and alleges as follows:

## **SUBJECT MATTER JURISDICTION AND VENUE**

24 1. Jurisdiction is proper in this Court pursuant to 28 U.S.C. § 1331, because the principal  
25 claim alleged herein arises under the laws of the United States, to wit, the Taxpayer First Act, 26  
26 U.S.C. § 7623(d).

27       2. Jurisdiction is also proper in this Court pursuant to 28 U.S.C. § 1340, because the  
28 principal claim alleged herein arises under an Act of Congress providing for internal revenue, to

1 wit, the Taxpayer First Act, 26 U.S.C. § 7623(d).

2       3. Jurisdiction over all other claims in this action is proper in this Court pursuant to 28  
 3 U.S.C. § 1367, because they are so related to claims in the action within such original jurisdiction  
 4 that they form part of the same case or controversy under Article III of the United States  
 5 Constitution.

6       4. Venue is proper in the United States District Court for the Central District of California  
 7 pursuant to 28 U.S.C. 1391(b) because this is a judicial district in which:

- 8           a. a substantial part of the events and omissions giving rise to the claims alleged herein  
 9           occurred,
- 10          b. Defendant LIBERTY COMPANY INSURANCE BROKERS, LLC (“Liberty”)  
 11           does business and has its principal place of business, and is thus subject to the  
 12           Court’s *in personam* jurisdiction with respect to this action;
- 13          c. Defendant WILLIAM J. JOHNSON (“Mr. Johnson” or “Defendant Johnson”) has  
 14           his principal residence and does business and is thus subject to the Court’s *in*  
 15           *personam* jurisdiction with respect to this action; and
- 16          d. Liability for most of the acts and conduct complained of herein has arisen.

17

## 18           OVERVIEW

19       5. This case involves illegal retaliation against Plaintiff JEFFREY W. ARRICAL for  
 20 raising concerns about the legality and propriety of acts and practices in which Defendants have  
 21 engaged (hereinafter, the “Acts and Practices”), and for refusing to participate in activity that he  
 22 believed to be improper, unethical and illegal.

23       6. The Acts and Practices concern:

- 24           a. The assessment and payment of income and payroll taxes due and owing to the  
 25           United States of America, the State of California and other states, by both  
 26           Defendant LIBERTY COMPANY INSURANCE BROKERS, LLC (“Liberty”), as  
 27           well as by various officers and employees of Liberty;
- 28           b. The use of “asset purchase” provisions in agreements with newly hired workers,

1                   whereby Liberty characterized up-front grants of equity, which were incentives to  
 2                   the workers to leave their former employers and join Liberty, as purported  
 3                   “purchases” of intangible assets, such as the “personal goodwill” of the workers in  
 4                   purported “books of business”;

5                   c. The creation of documents concerning the issuance of an equity interest in Liberty  
 6                   to Liberty’s President, Jerry Pickett (“Mr. Pickett”), which Mr. Arricale believed to  
 7                   be improper; and  
 8                   d. The use of unorthodox methodologies for valuing Liberty’s equity, which Mr.  
 9                   Arricale likewise believed to be improper.

10                  7. In or around 2021, Mr. Arricale began communicating his concerns about the propriety  
 11                  and legality of the Acts and Practices to various officers and executives of Liberty, including:  
 12                  Defendant William A. Johnson (“Mr. Johnson”); Mr. Pickett; and Christopher A. Pesch, Esq. (“Mr.  
 13                  Pesch”), who was Liberty’s Chief Legal Officer.

14                  8. Thereafter, he continued communicating such concerns to Mr. Johnson, Mr. Pickett  
 15                  and Mr. Pesch, as well as to other high-level officers and executives of Liberty, and members of its  
 16                  Board of Directors.

17                  9. Mr. Arricale also communicated such concerns to Liberty’s outside auditors.

18                  10. In addition, he advised Mr. Johnson and other executive officers at Liberty that he  
 19                  would not sign certain documents in connection with an application by Liberty for a credit facility  
 20                  without disclosing the Acts and Practices to the anticipated lenders.

21                  11. In response, Liberty and Mr. Johnson retaliated against him by, among other things,  
 22                  relieving him of his employment responsibilities, and then subsequently terminating his  
 23                  employment.

24                  12. Such retaliation was illegal.

25  
 26                  **THE PARTIES AND *IN PERSONAM* JURISDICTION**

27                  13. Plaintiff JEFFREY W. ARRICALE (“Mr. Arricale”) is a resident of Dade County,  
 28                  Florida.

1       14. Mr. Arricale is the former Chief Financial Officer (“CFO”) of Defendant LIBERTY  
2 COMPANY INSURANCE BROKERS, LLC (“Liberty”).

3       15. Defendant Liberty is a limited liability company organized and operating under the  
4 laws of the State of Delaware.

5       16. Liberty is a large, privately held insurance brokerage company with offices and  
6 subsidiaries located throughout the United States.

7       17. Although it is nominally headquartered in Gainesville, Florida, Defendant Liberty’s  
8 principal place of business is at 5955 De Soto Ave #250, Woodland Hills, CA 91367.

9       18. Most of Liberty’s senior executives, including Defendant WILLIAM J. JOHNSON  
10 (“Mr. Johnson”), work in the Woodland Hills office.

11       19. Other Liberty executives are located in and work in various other cities and  
12 municipalities in the United States of America.

13       20. This Court has personal jurisdiction over Defendant Liberty because it does business  
14 in, and its principal place of business is in, Los Angeles County, California. In addition, most of the  
15 acts and conduct complained of herein occurred in Los Angeles County, California.

16       21. Defendant WILLIAM J. JOHNSON (“Mr. Johnson” or “Defendant Johnson”) is a  
17 natural person residing in Los Angeles County, California.

18       22. Mr. Johnson is currently, and on information and belief has at all relevant times been,  
19 the founder, chairman and Chief Executive Officer (“CEO”) of Liberty.

20       23. This Court has personal jurisdiction over Defendant Johnson because he resides in and  
21 does business in Los Angeles County, California. In addition, many of the acts and conduct by him  
22 that are complained of herein occurred in Los Angeles County, California.

23       24. Other Liberty executives are located in and work in various other cities and  
24 municipalities in the United States of America.

25  
26       **FACTUAL ALLEGATIONS**

27       **I. Liberty’s Engagement of Mr. Arricale as Chief Financial Officer**

28       25. In or about February 2021, Mr. Johnson hired Mr. Arricale to be Liberty’s Chief

1 Financial Officer (“CFO”).

2 26. Mr. Arricale began his employment as CFO in or about March 2021.

3 27. When Mr. Johnson first interviewed Mr. Arricale, he told him of his goal of having  
4 Liberty make an initial public offering (“IPO”) of its stock.

5 28. Thereafter, Mr. Johnson and Mr. Arricale discussed the IPO goal, and the steps that  
6 Liberty would have to take to achieve it, on numerous occasions.

7 29. Among other steps, Mr. Arricale advised Mr. Johnson that Liberty would need an audit  
8 of its financial statements in accordance with the requirements of the Public Company Accounting  
9 Oversight Board (“PCAOB audit”).

10

## 11 **II. Liberty’s Engagement of Ernst and Young as its PCAOB Auditors**

12 30. In or around September 2021, at Mr. Arricale’s suggestion, Liberty engaged Ernst &  
13 Young (“E&Y”) to complete and file Liberty’s 2020 tax returns, and to conduct the PCAOB audit  
14 of its 2020 financial statements.

15 31. Thereafter, E&Y’s audit team began their work, reviewing accounting and financial  
16 records, and supporting documentation.

17 32. Consistent with his responsibilities as CFO, Mr. Arricale had conversations with  
18 members of the E&Y audit team, answered their questions, provided them information material to  
19 the audit, and discussed concerns that they raised.

20 33. Among these were concerns about the Acts and Practices.

21 34. As the E&Y auditors raised these concerns, Mr. Arricale discussed them with them,  
22 and also brought them to the attention of Mr. Johnson, Mr. Pickett, Mr. Pesch and many of  
23 Liberty’s other highest-level executive officers and directors.

24 35. Mr. Arricale also brought them to the attention of Mark Biderman, a member of  
25 Liberty’s Board of Directors and the Chair of the Board’s Audit Committee.

26 36. In bringing these concerns to the attention of Liberty’s highest-level executive officers  
27 and board members, Mr. Arricale explained his concern that such Acts and Practices appeared to  
28 violate tax and other laws, both federal and state, as well as the fiduciary and contractual duties that

1 Liberty had and continues to have to its partners, investors and creditors.

2

3 **III. Negotiations for an Expanded Credit Facility**

4 37. During this same time period, while E&Y was conducting the PCAOB audit, Liberty

5 was also negotiating with a consortium of banks, including J.P. Morgan (“JPM”) for an expanded

6 credit facility.

7 38. A “credit facility,” like a revolving “line of credit,” is a type of loan that the borrower

8 can draw down over a long period of time.

9 39. In order to finalize such an arrangement, Mr. Arricale would be expected to sign a

10 series of agreements containing numerous representations and warranties concerning Liberty’s

11 financial condition.

12 40. Concerned about the Acts and Practices by Liberty that he believed violated federal

13 and state tax laws, as well as Liberty’s and its officers fiduciary duties to their partners, members

14 and other stakeholders, Mr. Arricale began to advise others at Liberty that unless these practices

15 were corrected or found to be legitimate by a third-party legal review, he would refuse to sign the

16 credit facility agreements.

17

18 **IV. Events of September and October 2022**

19 41. The E&Y auditors’ and Mr. Arricale’s concerns continued to increase in September

20 2022.

21 42. By that time, the auditors had become distrustful of the documents that Liberty had

22 given to them relating to its issuance of equity to Mr. Pickett.

23 43. Not only did the E&Y auditors discuss this distrust with Mr. Arricale, but as noted

24 above, they eventually asked Liberty to request that the outside law firm that Liberty had engaged to

25 assist it with the planned IPO review some of the issues about which they were concerned.

26 44. Throughout September and October 2022, Mr. Arricale continued to have discussions

27 about these issues and the other issues of concern with the E&Y auditors, as well as internally with

28 high-ranking Liberty executives, board members and personnel.

1       45. One of those high-ranking Liberty executives told Mr. Arricale that Mr. Johnson had  
2 become more determined than ever to continue certain of the Acts and Practices.

3       46. Sometime in October 2022, Mr. Arricale learned of a Notice of Proposed Rulemaking  
4 by a federal agency regarding a change in its methodology for assessing one of the Acts and  
5 Practices about which Mr. Arricale and the auditors were concerned.

6       47. Thinking that the notice would be an opportunity to focus Mr. Johnson on this issue,  
7 Mr. Arricale attempted to bring it to his attention. When he did so, however, Mr. Johnson got upset  
8 and refused to discuss it.

9       48. On or about October 24, 2022, Mr. Arricale stated to a member of Liberty's Board of  
10 Directors: "The more I look at it, the more it appears he [meaning Mr. Johnson] may have been  
11 running afoul of the spirit, if not the letter, of the law for some time."

12       49. The board member indicated that he would speak to Mr. Johnson.

13       50. On October 28, 2022, Mr. Arricale sent an email to two high-ranking Liberty officers  
14 discussing the magnitude of that particular issue.

15

16 **V. Events of November 7 and 8, 2022**

17       51. On Monday, November 7, 2022, Mr. Arricale had a lengthy conversation about some  
18 of the Acts and Practices with two E&Y partners. One of them was the partner in charge of the  
19 audit team at Liberty. The other was E&Y's West Insurance Sector Leader, who was also the E&Y  
20 partner with whom Mr. Arricale had first spoken about undertaking the PCAOB audit of Liberty.

21       52. In that conversation, Mr. Arricale and the two E&Y partners discussed certain of the  
22 Acts and Practices.

23       53. Near the end of that conversation, the two E&Y partners advised Mr. Arricale to put  
24 his concerns in writing.

25       54. Mr. Arricale then sent to the two E&Y partners an advance copy of a memorandum  
26 that he planned to send to Mr. Johnson explaining his concerns.

27       55. Later that day, Mr. Arricale advised a high-ranking officer and a board member of  
28 Liberty about his conversations with the two E&Y partners, and about the advance copy of the

1 memorandum that he had sent to them. He also told them that he would not sign the credit facility  
2 agreements unless the issues were resolved. Both of them expressed their agreement.

3 56. On November 8, 2022, Mr. Arricale spoke again to the E&Y partner in charge of the  
4 audit, who advised him that she had spoken to other partners at E&Y, and that until all certain of the  
5 issues concerning the Acts and Practices were resolved, E&Y might have to stop working on the  
6 audit.

7

8 **VI. Mr. Arricale's Conversation with Mr. Johnson the Morning of November 10, 2022**

9 57. All of these concerns reached a critical point on the morning of Thursday, November  
10 10, 2022.

11 58. On that day, Mr. Johnson telephoned Mr. Arricale, ostensibly to discuss Mr. Arricale's  
12 request for a return of \$1,750,000 that Mr. Arricale and certain members of his extended family had  
13 loaned to Liberty in December 2021.

14 59. Mr. Arricale and his family members had loaned the funds to help Liberty weather a  
15 liquidity crisis and to make its payroll on time.

16 60. In that call, Mr. Johnson stated that he would not return the funds until after the closing  
17 of the credit facility that Liberty was at that time actively pursuing, and to which Mr. Arricale had  
18 been devoting a substantial portion of his time.

19 61. Mr. Arricale expressed shock at this statement, because Mr. Johnson had repeatedly  
20 promised that Liberty would return the money sooner, with interest.

21 62. Without making any commitment, Mr. Johnson said that he would think about it, and  
22 added, "you need to get this credit facility closed."

23 63. At the time, and for several months before then, Mr. Arricale had been the primary  
24 Liberty executive dealing with the prospective lenders on the contemplated credit facility.

25 64. Also during that time, as noted above, he was dealing regularly with the E&Y auditors.

26 65. The successful completion of both the 2020 and 2021 audits by March 31, 2023 was  
27 critical to the lenders' decisions to go forward with the credit facility.

28 66. Mr. Johnson then abruptly changed the subject and asked Mr. Arricale why he was

1 having discussions with the E&Y auditors.

2 67. Mr. Johnson's tone was adversarial and accusatory.

3 68. Mr. Arricale explained that the auditors had many questions and concerns relating to  
4 the 2020 and 2021 audits, which were still ongoing, and that they regularly reached out to him as  
5 the CFO, as well as to Liberty's Chief Accounting Officer and the chair of the audit committee of  
6 Liberty's Board of Directors.

7 69. Mr. Johnson stated that he wanted to be on those calls.

8 70. In response, Mr. Arricale told him that the Chief Accounting Officer, the audit  
9 committee chair, and he were in agreement that Mr. Johnson should not interact with the auditors at  
10 that point.

11 71. Mr. Arricale also explained that the auditors had reached out to him as CFO to discuss  
12 their concerns, which included concerns about certain of the Acts and Practices in which Liberty  
13 had engaged and was continuing to engage.

14 72. Mr. Arricale also reminded Mr. Johnson of prior calls with the auditors that had been  
15 counter-productive.

16 73. Throughout this conversation, Mr. Johnson made it clear that he was upset. He  
17 frequently interrupted Mr. Arricale, and his tone remained adversarial, accusatory, and angry.

18 74. Mr. Arricale also reminded Mr. Johnson that he had previously expressed to him his  
19 concerns about the Acts and Practices, and that Mr. Johnson had refused to change them despite  
20 having been told that they were at best questionable.

21 75. Mr. Arricale explained that he was trying to keep the E&Y auditors from resigning the  
22 audit assignment. He also stated that he had been keeping Liberty's audit committee chair advised  
23 of his conversations with them.

24 76. At some point, Mr. Johnson asked Mr. Arricale to explain, again, his reasons for being  
25 concerned about one particular practice in which Liberty had engaged.

26 77. Mr. Arricale then described his reasons.

27 78. Mr. Johnson responded that the basis for Mr. Arricale's concern about that particular  
28 practice did not apply to Liberty.

1 79. Mr. Arricale challenged that assertion, explaining how it did apply.

2 80. Mr. Arricale also reminded Mr. Johnson that he had raised his concerns about this  
3 particular practice many times, starting over a year earlier, including at a board meeting, as well as  
4 with the Human Resources and Legal Departments, but that Mr. Johnson had adamantly refused to  
5 change the practice.

6 81. Mr. Arricale also discussed certain of the other Acts and Practices with Mr. Johnson as  
7 well, including his concerns that they could expose Liberty to significant liability.

8 82. In addition, Mr. Arricale told Mr. Johnson that he could not sign the credit agreements  
9 without making additional disclosures.

10 83. Mr. Arricale added that in his view the executives “needed to come together” as a  
11 “management team” and “board of directors” to quantify Liberty’s potential exposure, self-report,  
12 revise the practices going forward, and accrue for any liabilities.

13 84. Mr. Arricale further explained that in his view, the potential liability of the company  
14 could be in the “tens of millions” of dollars.

15 85. He added that the company needed a full investigation of the practices, and that he  
16 believed that the review being performed by outside counsel at the time was inadequate because it  
17 was too narrowly limited.

18 86. Mr. Arricale also expressed his understanding of the risk of failing to address these  
19 issues proactively—namely, that the authorities might assert that the company and its executives  
20 had an intent to defraud.

21 87. Near the end of the conversation, Mr. Johnson abruptly changed the subject and asked  
22 Mr. Arricale what he was working on at that time.

23 88. Mr. Arricale answered that he had been working to try to close the credit facility.

24 89. He also explained that he was engaged in ongoing conversations with the E&Y  
25 auditors to answer their questions, to provide information that they needed to complete the 2020 and  
26 2021 audits, and to do everything he could to avoid having them resign the audit engagement,  
27 which he believed was a serious possibility.

28 90. Mr. Arricale also stated that he was providing guidance and assistance to other

1 members of Liberty's leadership team, helping to solve accounting issues that had arisen in  
2 connection with Liberty's many subsidiary partnerships, addressing numerous questions from  
3 partners in those partnerships, maintaining relationships with bankers and investors, and trying to  
4 make the audit committee chair and the entire leadership team aware of the increasing number of  
5 issues he was encountering.

6 91. Mr. Arricale also added that he was trying to figure out how to raise equity capital,  
7 because he was concerned that Liberty could not in good faith sign the agreements needed to close  
8 the credit facility, given the representations that those agreements would contain.

9 92. Mr. Johnson again reacted angrily.

10 93. Mr. Arricale asked whether Mr. Johnson was going to fire him.

11 94. Mr. Johnson responded that he and Mr. Arricale "now have a dysfunctional  
12 relationship."

13 95. Mr. Arricale asked again whether Mr. Johnson was going to fire him. Mr. Johnson  
14 added, "Not right now," and stated that Mr. Arricale's concerns needed to be the audit and closing  
15 the credit facility.

16 96. Just before the end of the call, Mr. Arricale again brought up the issue of his family  
17 members' funds.

18 97. Mr. Johnson responded that he needed to think about it.

19 98. Mr. Johnson then mentioned that Mr. Pickett had never signed Mr. Arricale's  
20 employment agreement.

21 99. Mr. Arricale asked whether Mr. Johnson intended to fire him and not honor his  
22 employment agreement if Mr. Arricale declined to sign the credit agreement.

23 100. Mr. Johnson did not answer the question, and simply stated that "we" needed to get the  
24 audits done and the credit facility done.

25 101. At that point, Mr. Arricale told Mr. Johnson that he could not think straight and felt  
26 like he was going to throw up.

27 102. Mr. Johnson responded that they would talk later.

28 //

1 **VII. Mr. Johnson's Email About a Previous Audit and Opinion**  
2 **Letter, and his Directive to Mr. Arricale not to Talk**  
3 **Further With the E&Y Auditors or Prospective Lenders**

4 103. Shortly thereafter, Mr. Johnson sent Mr. Arricale an email noting that Liberty had been  
5 “audited” by a state agency several years before then as to one of the Practices that he and Mr.  
6 Arricale had discussed at length, and had “cleared the audit.”

7 104. In that same email, Mr. Johnson claimed that Liberty had also been counseled by an  
8 outside law firm on that particular Practice, and that the outside firm had advised Liberty at that  
time that it was “doing things properly.”

9 105. In a follow-up email, Mr. Johnson directed Mr. Arricale to have no further  
10 conversations with the E&Y auditors, J.P. Morgan, or any of the prospective lenders until after he  
11 and Mr. Johnson had spoken again.

12  
13 **VIII. Mr. Arricale's November 10, 2022 Memorandum to Mr. Johnson**

14 106. Later that afternoon, Mr. Arricale sent to Mr. Johnson a memorandum (the  
15 “*11/10/2022 Memo*”), which was similar to the one he had provided as an advance copy to the two  
16 E&Y partners on November 7, 2022.

17 107. At the outset of the *11/10/2022 Memo*, Mr. Arricale wrote:

18 After our conversation this morning, and your emails asking me not to  
19 have solo discussions with the Ernst & Young auditors until we get  
20 feedback from [a Liberty board member], or with JP [Morgan] until you  
21 and I speak again, I would like to clarify the concerns I raised with you this  
morning, and which I have been raising in conversations and email  
communications for some time.

22 As I have mentioned, I believe that there are several issues that we as a  
23 company need to address internally, as well as with EY and our outside  
24 legal advisors before closing the credit facility, closing the private  
placement offering, and to ensure we can retain EY as our auditor. I  
25 expected these issues to be resolved by now, but we do not seem to be  
26 collectively pushing towards clarity, at least on some of them. I am not  
privy to conversations you are having with different members of the team  
and/or the board, so forgive me if steps of which I am unaware are in fact  
being taken to address the issues.

27 *11/10/2022 Memo*, at 1 of 3.

28 108. The *11/10/2022 Memo* then addressed the issues that Mr. Arricale had discussed with

1 the two E&Y partners with whom he had spoken on Monday, November 7, 2022, and made  
2 suggestions of steps that Mr. Arricale believed Liberty should take to address them.

3 109. Some of these suggestions involved asking outside law firms to review certain of the  
4 Acts and Practices.

5 110. As to Mr. Johnson's assertion that Liberty had previously been audited as to one of  
6 those practices, and had previously received a favorable opinion from an outside law firm on it as  
7 well, Mr. Arricale stated that he had not seen a report of the audit or the outside law firm's opinion,  
8 but noted that the particular practice had begun relatively recently and was unlikely to have been  
9 covered by the audit or the law firm's opinion.

10 111. Mr. Arricale added that if an outside law firm concluded that the practice was legal and  
11 defensible, Liberty should get a "solid opinion letter" for its files.

12 112. In addition, Mr. Arricale discussed that certain of the Acts and Practices could result in  
13 liability not only to Liberty, but to other Liberty stakeholders as well.

14 113. Mr. Arricale also recommended that Liberty stop using certain valuation  
15 methodologies.

16 114. Mr. Arricale also mentioned his concern that Liberty had disclosure obligations to  
17 creditors and investors.

18 115. Mr. Arricale concluded as follows: "I also believe that taking these steps will put us on  
19 a much firmer footing, from both a legal and accounting standpoint, and greatly increase the  
20 likelihood of a successful IPO in the future."

21

## 22 **IX. Liberty's Termination of Mr. Arricale's Duties as CFO**

23 116. On Sunday night, November 13<sup>th</sup>, Liberty's Chief Strategy Officer called Mr. Arricale  
24 by telephone.

25 117. In that call, the Chief Strategy Officer stated that Mr. Johnson had authorized him to be  
26 the "go-between" and work out an "amicable resolution."

27 118. On Monday, November 14, 2022, an outside counsel for Liberty sent Mr. Arricale a  
28 letter informing him of the "immediate cessation of his duties as CFO." *Id.*

1 **X. The Formal Notice of the Termination of Mr. Arricale's Employment**

2 119. On December 8, 2022, a different law firm representing Liberty sent him a letter to  
3 "serve as formal notice" that his employment with Liberty ended on November 21, 2022.

5 **XI. Liberty's Termination of E&Y's Audit Engagement**

6 120. Sometime in December 2022 or early 2023, Liberty terminated the engagement of  
7 E&Y as its auditors.

8 121. On information and belief, it did so in an effort to avoid discovery of its wrongdoing.

10 **XII. Conclusions**

11 122. Liberty's actions of relieving Mr. Arricale of his responsibilities and then terminating  
12 his employment were in retaliation for:

13 a. his having raised concerns internally, and with Liberty's outside auditors, about the  
14 propriety and legality of the Acts and Practices in which Liberty had engaged and  
15 was continuing to engage, and

16 b. his having refused to sign the credit facility without disclosing such practices to the  
17 lenders.

19 **FIRST CAUSE OF ACTION**

20 **Retaliation for Whistleblowing,**  
21 **In Violation of the Taxpayer First Act, 26 U.S.C. § 7623(d)**

22 123. The allegations in paragraphs 1 through 122 of this Complaint are repeated and  
23 realleged as if set forth in full herein.

24 124. Subsection (d)(1)(A) of the Taxpayer First Act prohibits employers, their officers and  
25 their agents from discharging or otherwise penalizing an employee:

26 No employer, or any officer, employee, contractor, subcontractor, or agent  
27 of such employer, may discharge, demote, suspend, threaten, harass, or in  
any other manner discriminate against an employee in the terms and  
conditions of employment (including through an act in the ordinary  
course of such employee's duties) in reprisal for any lawful act done by the  
employee-

1 (A) to provide information, cause information to be provided, or  
2 otherwise assist in an investigation regarding underpayment of tax or  
3 any conduct which the employee reasonably believes constitutes a  
4 violation of the internal revenue laws or any provision of Federal law  
5 relating to tax fraud, when the information or assistance is provided to . . . a person with supervisory authority over the employee, or any other  
6 person working for the employer who has the authority to investigate,  
7 discover, or terminate misconduct.

8 26 U.S.C. § 7623(d)(1)(A).

9 125. Mr. Arricale provided information to executives at Liberty, including Mr. Johnson, Mr.  
10 Pickett, Mr. Pesch, the audit committee chair and other executives and officers of Liberty, regarding  
11 conduct by Liberty and its executives and other officers that Mr. Arricale believed then and  
12 continues to believe constituted violations of the internal revenue laws of the United States,  
13 including but not limited to 26 U.S.C. §§ 3101(a), 3101(b), 3102(a), (b), 3111(a), (b), 3121(a)(1),  
14 3401(a) and 3402.

15 126. Mr. Johnson and Mr. Pickett were at the time persons with supervisory authority over  
16 Mr. Arricale.

17 127. Mr. Johnson, Mr. Pickett, Mr. Pesch, the audit committee chair and certain other  
18 executives and officers at Liberty to whom Mr. Arricale provided such information were persons  
19 working for the employer, namely Liberty, who had the authority to investigate, discover, and  
20 terminate such misconduct.

21 128. Other executives and officers at Liberty to whom Mr. Arricale provided such  
22 information were persons working for the employer, namely Liberty, who had the authority to  
23 investigate and discover such misconduct.

24 129. Mr. Arricale also provided such information to the E&Y auditors and other E&Y  
25 personnel, who were at the time persons “working for the employer”—namely, Liberty—who had  
26 the authority to investigate and discover such misconduct.

27 130. In retaliation for providing such information to the persons identified in the paragraphs  
28 above, Mr. Johnson and Liberty retaliated against Mr. Arricale by relieving him of his duties as  
CFO, and thereafter by discharging him and terminating his employment.

131. As a direct and proximate result of Defendants’ unlawful conduct, Mr. Arricale has

1 suffered and will continue to suffer both physical and emotional injuries, including, but not limited  
2 to, depression, stress, humiliation, and anxiety. Mr. Arricale has also suffered loss of earnings and  
3 other employment benefits, and consequential financial damages. Mr. Arricale is thereby entitled to  
4 fines and penalties authorized by law, as well as general and compensatory damages in amounts to  
5 be proved at trial, including two hundred percent of the amount of back pay, special damages, and  
6 the costs of litigation including attorneys' fees, together with pre- and post-judgment interest at the  
7 legal rate.

8 132. The conduct of Defendants and their agents and employees, as described herein, was  
9 malicious, fraudulent, and/or oppressive or done with a willful and conscious disregard for  
10 plaintiff's rights and for the deleterious consequences to Mr. Arricale of Defendants' actions.  
11 Consequently, Mr. Arricale is also entitled to punitive damages from Defendants.

12  
13 **SECOND CAUSE OF ACTION**

14  
15 **Retaliation for Whistleblowing,  
In Violation of California Labor Code § 1102.5(b)**

16 133. The allegations in paragraphs 1 through 132 of this Complaint are repeated and  
17 realleged as if set forth in full herein.

18 134. Mr. Arricale, while working as the Chief Financial Officer of Defendant Liberty  
19 Company Insurance Brokers, LLC learned information that led him to reasonably believe that the  
20 business conduct of Defendants Liberty and Mr. Johnson constituted fraudulent and unethical  
21 conduct, as well as violations of various federal and state statutes, rules, and regulations, including  
22 but not limited to:

23 a. United States Income Tax and Withholding Tax laws, including but not limited to  
24 26 U.S.C. §§ 3101(a), 3101(b), 3102(a), (b), 3111(a), (b), 3121(a)(1), 3401(a) &  
25 3402;  
26 b. Cal. Unemployment Ins. Code § 13020(a)(1); Cal. Rev. & Tax. Code § 18662;  
27 c. Colorado Revised Statutes § 39-22-604(3)(a), (c), & 1 CCR 201-2-Income Tax,  
28 Colorado Rule 39-22-604; Colorado Code §§ 8-70-101, *et seq.*;

- 1 d. Fl. Stat. § 443.131;
- 2 e. N.J. Stat. §§ 43:21-7, 54A:7-1, 7-5;
- 3 f. New York Tax Law §§ 671, 675, 676; N.Y. Worker's Compensation Law § 92;
- 4 g. Ohio Rev. Code §§ 4141.23, 5747.06, 5747.07(E)(1), (2);
- 5 h. 32 Vermont Stat. Ann. §§ 1329, 5841(a), 5844(a).

6 135. Mr. Arricale disclosed this information to persons at Liberty who had authority over  
7 Mr. Arricale, including Mr. Johnson and Mr. Pickett.

8 136. Defendants retaliated against Mr. Arricale for reporting the illegal and unethical  
9 conduct, in part because they believed that Mr. Arricale had disclosed this information to other  
10 persons with the authority to investigate, discover, or correct the violations.

11 137. Defendants relieved Mr. Arricale from his duties as CFO, and terminated him from his  
12 employment at Liberty, because he reported the illegal conduct and because Defendants believed  
13 that he would continue to do so.

14 138. As a direct and proximate result of Defendants' unlawful conduct, Mr. Arricale has  
15 suffered and will continue to suffer both physical and emotional injuries, including, but not limited  
16 to, depression, stress, humiliation, and anxiety. Mr. Arricale has also suffered loss of earnings and  
17 other employment benefits, and consequential financial damages. Mr. Arricale is thereby entitled to  
18 fines authorized by law, as well as general and compensatory damages in amounts to be proved at  
19 trial, plus pre- and post-judgment interest at the legal rate.

20 139. The conduct of Defendants and their agents and employees, as described herein, was  
21 malicious, fraudulent, and/or oppressive or done with a willful and conscious disregard for  
22 plaintiff's rights and for the deleterious consequences to Mr. Arricale of Defendants' actions.  
23 Consequently, Mr. Arricale is also entitled to punitive damages from Defendants.

24

25 **THIRD CAUSE OF ACTION**

26

27 **Retaliation for Refusing to Participate in Illegal Activity,**  
**In Violation of California Labor Code § 1102.5(c)**

28 140. The allegations in paragraphs 1 through 139 of this Complaint are repeated and

1 realleged as if set forth in full herein.

2 141. In or about 2022, Liberty was in negotiations to obtain a credit facility from a  
3 consortium of banks.

4 142. At the time, the information possessed by Mr. Arricale about Liberty's Acts and  
5 Practices, and ongoing violations of law, led him to believe that it would be improper, unethical and  
6 fraudulent for him to sign the credit facility documents without disclosing such information to the  
7 credit facility lenders.

8 143. Based on that belief, Mr. Arricale advised Liberty, Mr. Johnson and other Liberty  
9 officers and executives that he would refuse to sign the credit facility documents unless such  
10 information was disclosed to the lenders.

11 144. Liberty and Mr. Johnson then relieved Mr. Arricale from his duties as CFO, and  
12 thereafter terminated his employment, in retaliation for his refusal to participate in their ongoing  
13 illegal conduct and activities.

14 145. As a direct and proximate result of Defendants' unlawful conduct, Mr. Arricale has  
15 suffered and will continue to suffer both physical and emotional injuries, including, but not limited  
16 to, depression, stress, humiliation, and anxiety. Mr. Arricale has suffered loss of earnings and other  
17 employment benefits, and consequential financial damages. Mr. Arricale is thereby entitled to fines  
18 authorized by law, as well as general and compensatory damages in amounts to be proved at trial,  
19 plus pre- and post-judgment interest at the legal rate.

20 146. The conduct of Defendants and their agents and employees, as described herein, was  
21 malicious, fraudulent, and/or oppressive or done with a willful and conscious disregard for  
22 plaintiff's rights and for the deleterious consequences to Mr. Arricale of Defendants' actions.  
23 Consequently, Mr. Arricale is also entitled to punitive damages from Defendants.

24  
25 **FOURTH CAUSE OF ACTION**

26  
27 **Retaliation for Refusing to Participate in Illegal Activity**  
**In Violation of Florida Whistleblower Act, Florida Statutes § 448.102**

28 147. The allegations in paragraphs 1 through 146 of this Complaint are repeated and

1 realleged as if set forth in full herein.

2 148. As set forth in detail above, Liberty and Mr. Johnson relieved Mr. Arricale from his  
3 duties as CFO, and thereafter terminated his employment, in retaliation for his refusal to participate  
4 in their ongoing illegal conduct and activities.

5 149. As a direct and proximate result of Defendants' unlawful conduct, Mr. Arricale has  
6 suffered and will continue to suffer both physical and emotional injuries, including, but not limited  
7 to, depression, stress, humiliation, and anxiety. Mr. Arricale has suffered loss of earnings and other  
8 employment benefits, and consequential financial damages. Mr. Arricale is thereby entitled to fines  
9 authorized by law, as well as general and compensatory damages in amounts to be proved at trial,  
10 plus pre- and post-judgment interest at the legal rate.

11 150. The conduct of Defendants and their agents and employees, as described herein, was  
12 malicious, fraudulent, and/or oppressive or done with a willful and conscious disregard for  
13 plaintiff's rights and for the deleterious consequences to Mr. Arricale of Defendants' actions.  
14 Consequently, Mr. Arricale is also entitled to punitive damages from Defendants.

15

16

## 17 FIFTH CAUSE OF ACTION

### 18 **Wrongful Termination in Violation of Public Policy**

19 151. The allegations in paragraphs 1 through 150 of this Complaint are repeated and  
20 realleged as if set forth in full herein.

21 152. Mr. Arricale refused to engage in illegal and unethical conduct and protested such  
22 conduct which violated the public policies of the United States, the State of California, and several  
23 other states including Colorado, Florida, New Jersey, New York, Ohio, Texas and Vermont.

24 153. Defendants relieved Mr. Arricale of his duties as Chief Financial Officer of Liberty and  
25 thereafter terminated Mr. Arricale's employment because, among other things, he: (a) reported  
26 illegal and unethical conduct to Liberty's outside auditors; and (b) refused to engage in Defendants'  
27 fraudulent and illegal activity.

28 154. As a direct and proximate result of Defendants' unlawful conduct, Mr. Arricale has

1 suffered and will continue to suffer both physical and emotional injuries, including, but not limited  
2 to, depression, stress, humiliation, and anxiety. Mr. Arricale has suffered loss of earnings and other  
3 employment benefits, and consequential financial damages. Mr. Arricale is thereby entitled to fines  
4 authorized by law, as well as general and compensatory damages in amounts to be proved at trial,  
5 plus pre- and post-judgment interest at the legal rate.

6 155. The conduct of Defendants and their agents/employees, as described herein, was  
7 malicious, fraudulent, and/or oppressive or done with a willful and conscious disregard for  
8 plaintiff's rights and for the deleterious consequences to Mr. Arricale of Defendants' actions.  
9 Consequently, Mr. Arricale is also entitled to punitive damages from Defendants.

10

11

12

## SIXTH CAUSE OF ACTION

13

### **Breach of Written Contract**

14

15 156. The allegations in paragraphs 1 through 155 of this Complaint are repeated and  
realleged as if set forth in full herein.

16

17 157. In or around April 2021, Defendant Liberty entered into a written employment  
agreement with Mr. Arricale.

18

19 158. In accordance with the express provisions of that employment agreement, and in  
accordance with the parties' course of dealing, Mr. Arricale duly performed all of the conditions,  
20 covenants, and promises required on his part to be performed in accordance with the terms and  
21 conditions of the employment agreement.

22

23 159. Defendant Liberty has breached the employment agreement in many ways that include,  
but are not limited to, refusing to timely provide Mr. Arricale with:

24

- a. The equity grant required by section 3.1 of the agreement;
- b. The base salary required by section 3.2; and
- c. The bonuses required by section 3.3.

27

28 160. As a result, Mr. Arricale has been damaged in an amount to be proved at trial, plus pre-  
and post-judgment interest at the legal rate, consequential and incidental damages, costs, expenses,

1 and reasonable attorneys' fees pursuant to the Cal. Labor Code to the extent allowed by law.

2

3

4

## SEVENTH CAUSE OF ACTION

5

### **Breach of the Covenant of Good Faith and Fair Dealing**

6 161. The allegations in paragraphs 1 through 160 of this Complaint are repeated and  
7 realleged as if set forth in full herein.

8 162. In every contract or agreement there is an implied promise of good faith and fair  
9 dealing, pursuant to which each party agrees that it will not do anything to unfairly interfere with  
10 the right of any other party to receive the benefits of the contract.

11 163. Liberty and Mr. Arricale entered into an employment agreement.

12 164. Mr. Arricale substantially performed his duties or was otherwise excused or prevented  
13 from performing his job duties.

14 165. Liberty breached the contract between the parties when it wrongfully relieved Mr.  
15 Arricale from his duties as Chief Financial Officer, and thereafter terminated him from his  
16 employment, because he raised concerns about Liberty's illegal and unethical business practices,  
17 and refused to sign the credit facility agreements without disclosing his concerns to the lenders.

18 166. The conduct of Defendants was and is malicious and oppressive, and done with a  
19 willful and conscious disregard for Mr. Arricale's rights and for the deleterious consequences to Mr.  
20 Arricale of Defendants' actions. Defendants and their agents and employees, authorized, condoned,  
21 and ratified the unlawful conduct of each other. Consequently, Mr. Arricale is entitled to punitive  
22 damages against each Defendant.

23 167. As a result of the foregoing, Mr. Arricale has been damaged in an amount to be proved  
24 at trial, plus pre- and post-judgment interest at the legal rate, consequential and incidental damages,  
25 costs, expenses, and reasonable attorneys' fees to the extent allowed by law.

26 //

27 //

28 //

## REQUEST FOR PUNITIVE DAMAGES

168. The allegations in paragraphs 1 through 167 of this Complaint are repeated and realleged as if set forth in full herein.

169. Defendants' acts and conduct as detailed herein constitute deliberate acts of fraud against Mr. Arricale.

170. Defendants' actions were intended to cause extreme financial harm in Mr. Arricale's life.

171. Defendants have acted with fraud, malice, and oppression in perpetrating the scheme detailed herein.

172. Defendants have also wrongfully concealed from Mr. Arricale the true nature of their intentions and business practices to Mr. Arricale's detriment.

173. Defendants perpetrated the schemes at issue with the deliberate intent of harming Mr. Arricale.

174. Defendants knowingly assisted each other, facilitated and participated in the fraudulent acts, deceit, concealment, and omissions addressed in this Complaint with the specific intent to harm Mr. Arricale.

175. Defendants' willful disregard of Mr. Arricale's rights has resulted in substantial damages to Mr. Arricale.

176. The wrongful conduct alleged herein supports the imposition of punitive damages as to Defendants in a sum sufficient to deter them from future misconduct and acts of fraud.

## PRAYER FOR RELIEF

WHEREFORE, Plaintiff Jeffrey W. Arricale prays for the following relief:

1. Compensatory damages according to proof;
2. Special damages according to proof;
3. Two hundred percent of the amount of back pay and 100 percent of all lost benefits, with interest, pursuant to 26 U.S.C. § 7623(d)(3)(B)(ii);
4. Punitive and exemplary damages in an amount found appropriate by the trier of fact and

1 according to proof;

2 5. For restitution of, disgorgement of, and a constructive trust over all ill-gotten gains of  
3 Defendants;

4 6. Equitable and declaratory relief allowed by law;

5 7. Prejudgment interest and post-judgment interest at the maximum legal rate;

6 8. Costs of suit;

7 9. Reasonable attorneys' fees, including pursuant to 26 U.S.C. § 7623(d)(3)(B)(iii) and  
8 Labor Code § 218.5;

9 10. Penalties and fines to the extent permitted by law; and

10 11. All other, further relief as the Court may deem appropriate in the interests of justice

11 **DEMAND FOR JURY TRIAL**

12 Plaintiff Jeffrey W. Arricale hereby demands a trial by jury.

14  
15 DATED: February 21, 2025

16  
17 Kirsch & Jansen LLP  
18 2041 Bancroft Way, Berkeley, CA 94704

19 By: Paul F. Kirsch

20 /s/ Paul F. Kirsch  
21 and  
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25 *Attorneys for Jeffrey W. Arricale, Plaintiff*

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27  
28